



## THE DETERMINANTS OF INVESTMENT BEHAVIOUR OF MUTUAL FUND INVESTORS WITH REFERENCE TO TRICHY DISTRICT

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### **Abstract:**

Investment is the sacrifice of certain present value of money in anticipation of a reward. Factors such as healthy climate, varying interest rates, varied investment avenues, larger income, burdensome tax rates, longer life expectancy etc., are responsible for the growing popularity of investments. The several investment opportunities are available to an investor in many kinds and in many combinations within each type. However, the returns obtainable by them vary depending upon their nature and qualitative features. Even though we are having some laws like Efficient Market Hypothesis, some investor did not track such laws and rules instead they follow some other norms. Behavioral finance is one of the field of study to reveal the behaviour of the investors towards investment decisions. This research examines the Investment Behaviour of individual investors who invest their amount in Mutual Fund of Trichy District. The researcher looks into the determinants of investment behaviour of Mutual Fund investors and how demographic factors affect fund selection behaviour of the individual investors. The researcher collected data by obtaining direct response from 138 individual investors of Mutual Funds. The researcher unruffled data by getting direct response from the investors with structured questionnaire and it was analyzed quantitatively. Statistical tools like ANOVA and Chi-square were used to get the results of the study.

**Key Words:** Investment, Investment Avenues, Behavioral Finance, Investor Behaviour

### **Introduction:**

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment has two attributes namely time and risk. Present consumption is sacrificed to get a return in the future. The sacrifice that has to be borne of certain but the return in the future may be uncertain. Several investment opportunities are available to an investor in many types and in many combinations within each type. However, the returns offered by them vary depending upon their nature and qualitative features. The objective of any investment of investors are liquidity, cash return, capital appreciation and safety.

Mutual Funds are the intermediaries in the investment business which indirectly connect the public and the corporate sector. The public invest their saving in the Mutual Funds and the Mutual Funds use the money collected in diversified portfolio of securities in various companies. A Mutual Funds are conceived as institutions for providing small investor with avenues of investment in the capital market.

Behavioral finance concentrates on irrational behavior that can affect investment decisions and market prices. It attempts to better understand and explain how emotions and cognitive errors influence investors and the decision-making process.

### **Statement of the Problem:**

The research problem in hand is that what are the determinants of investment behavior of Mutual Fund investors? What is their relative importance in shaping investment behavior of individual investor? Answering to these questions is where the role of behavioral finance comes in as the modern finance theory fail to explain the phenomenon. This research is an attempt to understand the investment behavior of individual investor by identifying the determinants of investment behavior.

### **Objectives:**

- To identify the determinants of investment behavior and their relative importance in shaping the behavior of individual investors
- To offer valid suggestion to understand the determents of investment behaviour of mutual fund investors.

### **Review of Literature:**

Chakrabarti and Rungta (2000) carried out a survey of mutual fund investors. The study concluded that the brand image factor is basically influencing the investors for investing in mutual fund schemes. This brand image cannot be easily captured by computable performance measures. It influences the investor's perception and hence his fund/scheme selection behaviour.

Syriopoulos (2002) gave its review on an analysis of investor's risk perception towards mutual funds services. Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Being a part of financial markets although mutual funds industry is responding very fast by analyze investor's perception and expectations.

Singh and Vanita (2002) have examined the investors' preferences and perception towards MF investments by conducted a survey of 150 respondents in the city of Delhi. The findings of the study were that the investors' preferred to invest in public sector MFs with an investment objective of getting tax exemptions and stayed invested for a period of 3-5 years and the investors evaluated past performance. The study further concludes by stating that majority of the investors were dissatisfied with the performance of their MFs and belonged to the category who held growth schemes.

Rao (2003) studied the performance evaluation of Indian mutual funds in bear market through relative performance index. He found that most of the mutual fund schemes were able to satisfy investor's expectations by giving excess returns over expected returns.

Lenard et al. (2003) empirically investigated investor's attitudes toward mutual funds. The results indicated that the decision to switch funds within a fund family was affected by investor's attitude towards risk, current asset allocation, investment losses, investment mix, capital base of the fund age, initial fund performance, investment mix, fund and portfolio diversification. The study reported that these factors were crucial to be considered before switching funds regardless of whether they invest in non-employer plans or in both employer and non-employer plans.

**Methodology:**

The Thanjavur District has Eight Sub Districts namely Trichy, Languidi, Manachanallur, Manapparai, Marungapuri, Musiri, Srirangam, Thiruverumbur, Thottiyam, Thottiyam, Tiruchirappalli East, and Tiruchirappalli West. We treat as clusters. Then we selected respondents randomly from each cluster on the basis of convenience.

Quantitative research was used in this research. In our study quantitative method refers to the survey we implemented in the form of questionnaires, which are directed at individual investor.

**Data Collection:**

Data for our study is primarily collected through secondary researches, preliminary interviews with the investors and brokers and a survey in form of structured questionnaires. We have obtained 138 complete survey responses from individual investors. The questionnaires were distributed among individual Mutual Fund investors in eight sub district of Trichy District. 175 surveys were distributed to individual Mutual fund investors. However; several questionnaires were incomplete as many questions had been left unanswered. It happened mostly in self-administered surveys. We used 138 questionnaires for analysis purpose.

**Data Analysis:**

The collected data were analyzed and inferences were drawn. To analyse the collected data the researcher used Simple percentage analysis, ANOVA and Chi-Square.

**Reliability Test - Cronbach's Alpha:**

A Reliability test was carried out with a questionnaire to analyze the determinants of investment behaviour of Mutual Fund investors with reference to Trichy District

The data collected on this process has been tested using Cronbach's Alpha for its reliability. The result of the testing and validation revealed that the questionnaire possessed the reliability with the value of 0.746. The questionnaire was best fitted in a normal distribution. So, it was inferred that the questionnaire used for pilot study was highly suitable in ascertaining the responses from the respondents of Mutual Fund Investors.

**Reliability Statistics - SPSS Output for Cronbach's Alpha:**

Table

Cronbach's Alpha	No of Items
0.746	111

**Analysis and Interpretation:**

It is observed that maximum number of respondents falls in the 30-40 categories. The highest number of respondents fall in the 21-30 categories. Thus around 70% of the respondents are below 40 years of age and are relatively young.

Table Showing the Respondents Classification Based on their Personal Details

<b>Gender</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Male	90	65.22
Female	48	34.78
Total	138	100
<b>Marital Status</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Single	38	28
Married	75	54
Separated	7	5
Widowed	18	13
Total	138	100
<b>Qualification</b>	<b>No. of Respondents</b>	<b>Percentage</b>
SSLC	6	4
HSC	17	12
Graduation	68	49
Post Graduation	32	23
Others	15	11
Total	138	100
<b>Income</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Lessthan10000	30	20
10000-15000	31	22
15000-20000	30	23
20000-25000	13	9
Above25000	34	25
Total	138	100
<b>Occupation</b>	<b>No. of Respondents</b>	<b>Percentage</b>

Self-Employed	20	14
Government Employee	30	22
Quasi Government Employee	19	14
Private Employee	13	9
Professionals	38	28
Others	18	13
Total	138	100

The above table reveals that, 65.22% of the respondents are Male and 34.78% of the respondents are Female. 28% of the respondents are single, 54% of the respondents are Married, 5% are separated and 13% of the respondents are Widowed. 4% of the respondents belong to SSLC level, 12% of the respondents belong to HSC level, 49% of the respondents belong to Graduation Level, 23% of the respondents belong to the PG Level, and 11% of the respondents belong to the Other Qualification. 20% of the respondents belong to the Income level of less than 10000, 22% of the respondents belong to the Income level of 10000-15000, 23% of the respondents belong to the Income level of 15000-20000, 9% of the respondents belong to the income level of 20000-25000 and 25% of the respondents the Income level is above 25000. 28% of the respondents are professionals 22% of the respondents are working in Government sector and Quasi Government employee and self-employed employees occupy 14% and other employees and Private employee occupy 13% and 9% respectively.

Table Showing Chi-Square Overall Summary of Gender Vs Determinants of Investor Mutual Fund Investor Behaviour

S.No	Dimension	Ho	Df	P Value	Level of Significance	Remarks
1	Gender Vs Over Confidence	There is no significant association between the variables Gender vs Over confidence	4	0.154	0.05	Ho Accepted
2	Gender Vs Investors Optimism	There is no significant association between the variables Gender vs Investor Optimism	4	0.013	0.05	Ho Rejected
3	Gender Vs Involvement	There is no significant association between the variables Gender Vs Involvement	4	0.252	0.05	Ho Accepted
4	Gender Vs Risk Attitude	There is no significant association between the variables Gender Vs Risk Attitude	4	0.868	0.05	Ho Accepted

**Hypothesis:**

There is no relationship between personal factors- gender and determinants of investor mutual fund investor behaviour. It is clear that the p-value is more than 0.05 for 4 factor so ( $p < 0.05$ ), the null hypothesis is accepted at 5 percent level of significance. But, there is relationship between gender and investors optimism.

Table Showing One Way Anova Overall Summary of Income Vs Determinants of Investor Mutual Fund Investor Behaviour

S.No	Dimensions	Ho: Hypothesis	Category	Sum of Square	df	Mean Square	F	Sig.	Result
1	Income Vs Over Confidence	There is no significant association between the variables Income vs overconfidence	Between Groups	5.124	4	1.281	0.55	0.699	Ho Accepted
			With In Groups	267.676	134	2.328			
			Total	272.8	138				
2	Income Vs Invest Optimism	There is no significant association between the variables Income and invest optimism	Between Groups	3.449	4	0.862	0.368	0.831	Ho Accepted
			Within Groups	269.351	134	2.342			
			Total	272.8	138				
3	Income Vs Involvement	There is no significant association between the variables Income vs involvement	Between Groups	10.243	4	2.561	1.122	0.35	Ho Accepted
			With In Groups	262.557	134	2.283			
			Total	272.8	138				
4	Income Vs Risk Attitude	There is no significant association between the variables Income vs risk attitude	Between Groups	15.289	4	3.822	1.707	0.153	Ho Accepted
			With In Groups	257.511	134	2.239			
			Total	272.8	138				

### **Hypothesis:**

There is no relationship between income vs determinants of investor mutual fund investor behaviour. It is clear that the p-value is more than 0.05 for the above factor so ( $p < 0.05$ ), the null hypothesis is accepted at 5 percent level of significance.

### **Findings:**

- 65.22% of the respondents are Male and 34.78% of the respondents are Female .
- 28% of the respondents are single 54% of the respondents are Married 5% of the respondents are separated and 13% of the respondents are widowed.
- 4% of the respondents belong to SSLC level, 12% of the respondents belong to HSC level, 49% of the respondents belong to Graduation Level, 23% of the respondents belong to the PG Level, and 11% of the respondents belong to the Other Qualification.
- 14% of the respondents are self employed 22% of the respondents are working in the government organization, 14% of the respondents are working in Quasi Government, 9% of the respondents are working in private sectors ,25% of the respondents are professionals and 13% of the respondents are working in other sectors.
- 20% of the respondents belong to the Income level of 10000, 22% of the respondents belong to the Income level of 10000-15000, 23% of the respondents belongs to the Income level of 15000-20000, 9% of the respondents belongs to the income level of 20000-25000 and 25% of the respondents the Income level is above 25001.
- There is no significant association between the variables Gender and Overconfidence
- There is significant association between the variables Gender and Investor Optimism.
- There is no significant association between the variables Gender and Investors involvement.
- There is no significant association between the variables Gender and Risk Attitude of the respondent.
- There is no significant association between the variables Age and Overconfidence
- There is no significant association between the variables Age and Investor Optimism.
- There is no significant association between the variables Age and Investors involvement.
- There is no significant association between the variables Age and Risk Attitude of the respondent.
- There is no significant association between the Income and Overconfidence
- There is no significant association between the variables Income and Investor Optimism.
- There is no significant association between the variables Income and Investors involvement.
- There is no significant association between the variables Income and Risk Attitude of the respondent.

### **Conclusion:**

Market participants have for a long time relied on the notion of efficient markets and rational investment behavior when making financial decisions. However, the Idea of fully rational investors always maximizing their utility and demonstrating perfect self-control is becoming inadequate as examples of market inefficiency in the form of anomalies and irrational investor behavior have been observed more frequently during the past decades. The results obtained from the questionnaires carried out in our research suggest that the behavior of individual Mutual Fund Investors is indeed to some extent irrational when considered from a standard finance point of view. We found that individual Mutual Fund investors have high level of involvement and overconfidence while they are not much optimistic about the future outlook of market moreover they have been found to have an aversion to risk.

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